

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

LeRoy Koppendrayner
Marshall Johnson
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Gregory Scott

Chair
Commissioner
Commissioner
Commissioner

In the Matter of Greater Minnesota Gas, Inc.
Extending Service to More Than 2,000
Customers and Becoming Subject to Minn.
Laws, Ch. 216B

ISSUE DATE: August 28, 2003

DOCKET NO. G-022/M-03-117

ORDER AUTHORIZING RATES,
REQUIRING GENERAL RATE CASE AND
OTHER FILINGS

PROCEDURAL HISTORY

In September 2002, Great Minnesota Gas, Inc. notified the Department and the Commission that it would no longer qualify for an exemption from Commission rate regulation, under Minn. Stat. § 216B.16, subd. 12, because the Company had reached the 2,000 customer mark. Prior to this notification, GMG's rates were regulated and approved by the local governing bodies (i.e., the municipalities and townships) of the areas in which the Company provides service.

GMG also asked for advice about bringing its operations into compliance with Minnesota laws, rules and regulations that govern Commission-rate regulated utilities. In addition, GMG indicated that it had several expansion projects planned for 2003 and did not want to file a general rate case until after these projects were completed, perhaps as early as Fall 2003.

On January 24, 2003, GMG filed its rate schedules and tariff book and asked for authority to continue charging its existing rates until it files its first general rate case in early 2004.

On May 27, 2003, the Department submitted comments and recommended the Commission authorize GMG to continue applying its current rate schedules but require the Company to file a general rate case by February 2004. The Department also recommended that GMG bring its operations into compliance with Minnesota laws, rules and regulations governing public utilities subject to Commission-rate regulation and recommended several specific steps that would need to be taken to accomplish this goal.

On June 16, 2003, GMG submitted a letter agreeing to the Department's recommendations.

The Commission met on August 13, 2003 to consider this matter.

FINDINGS AND CONCLUSIONS

I. GMG'S PETITION

In addition to filing its rate schedules and tariff book and requesting authority to continue charging its existing rates until it files its general rate case in early 2004, GMG stated that to complete its transition from a locally-regulated to a state-regulated public utility it would like to work with the Department and Commission staff to: 1) develop a list of applicable filing requirements, 2) evaluate GMG's compliance with these requirements, and 3) request waivers or rule variances from requirements that are inapplicable, unnecessary or overly burdensome for a small utility.

II. THE DEPARTMENT'S COMMENTS

The Department focused its analysis on the Company's current rates, the town meetings the Company held with its customers pursuant to a customer notice reviewed and approved by Department and Commission staff, and the Company's future filing requirements as a rate-regulated utility.

The Department noted that GMG is new to regulation and needs a reasonable amount of time to comply with Minnesota statutes and rules. The Department stated that it would continue working with GMG to that end. The Department stated that it would review GMG's rate schedules, including its policies and bill format, in the Company's first general rate case which the Department recommended be required to be filed by February 2004. The Department recommended that the Commission allow GMG to continue to apply the rate schedules that it has in place at this time. Further, the Department recommended that the Commission

- require GMG to file a general rate case by February 2004;
- require that GMG file a depreciation study at or before the time of its first general rate case;
- require that GMG begin filing monthly purchased gas adjustments (PGAs) by June 1, 2003;
- require that GMG file monthly PGAs from July 1, 2002 through May 1, 2003;
- require that GMG request a variance from Minnesota Rules 7825.2700, subp. 7 if it wants to continue truing up on a monthly basis;
- require GMG to update its cold weather rule information for 2003-04; and
- require that GMG file customer information pursuant to Minnesota Rule 7820.0200.

III. THE COMPANY'S RESPONSE

On June 16, 2003, GMG filed comments expressing appreciation for the input of the Department and Commission Staff since initiating this docket and agreeing with the Departments's written recommendations.

IV. COMMISSION ACTION

A. Continuation of Current Rates Pending Rate Case

It appears reasonable to allow GMG to continue charging its current rates pending any change that may result from the general rate case that the Commission will require the Company to commence

no later than February 2004, as recommended by the Department.

Allowing GMG to do so is reasonable for several reasons. Although the Department has not conducted a full investigation of GMG's cost of service or earnings and will not do so until the general rate case, the rates GMG currently charges have been reviewed and accepted by responsible local governments in the areas where the Company serves and will be subject to a general rate case review in the near future. In addition, although GMG's rates are higher than other gas companies, this may be accounted for by the fact that GMG's customers are more spread out and require more facilities per customer. Finally, customers have not complained about the rates, have a choice whether to take service from GMG, and will benefit from continuity of rates and service during the Company's transition to regulated status.

B. Filings Recommended by the Department

The filings recommended by the Department are reasonable and have been agreed to by the Company. The Commission will approve them with minor adjustments to some of the filing dates to take into account the passage of time since the Department made its recommendations.

ORDER

1. Greater Minnesota Gas, Inc. (GMG or the Company) is hereby authorized to continue applying its current rate schedule, as previously approved by local governing authorities and shall file a general rate case no later than February 2004.
2. GMG shall
 - file a depreciation study before or at the time of its first general rate case;
 - begin filing monthly PGA report by September 1, 2003;
 - file monthly PGA reports for July 1, 2002 through September 1, 2003 (i.e., the 2002-2003 gas year);
 - request a variance to Minn. Rule, part 7825.2700, subpart 7, if it wishes to continue trueing-up its PGA on a monthly rather than an annual basis;
 - update its cold weather rule information for 2003-2004; and
 - provide certain information to its customers as required by Minn. Rule, part 7820.
3. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Burl W. Haar
Executive Secretary

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